

Blueprint Maryland

THE STATE'S HOUSING ECONOMY IN REVIEW VOLUME 2 ISSUE 10

Neighborhood BusinessWorks Program Spurs Small Business Growth

Small businesses are vital to the financial well being of the Maryland economy. The U.S. Small Business Administration reports that in 2004, an estimated 97.6 percent of Maryland businesses with employees, or 134,095 companies, were small firms, i.e., establishments with less than 500 employees.

The growth of the Maryland economy is, therefore, highly dependent on the growth of the existing small businesses, as well as the continuous emergence of new, small business entrepreneurs and innovators.

Critical to the success of small businesses is the availability of financing for both capital acquisition and working capital purposes. The primary source of capital for most new businesses comes from savings and other forms of personal resources. Other sources of funding include bank loans and equity funds through venture capital firms. The majority of these lenders routinely request that at least 25 percent to 50 percent of the required funds are to

be financed by personal equity. Thus, raising capital becomes a very complex and frustrating process for small business entrepreneurs who lack sufficient personal resources.

To enable small businesses to raise the required start-up capital, the Maryland Department of Housing and Community Development (DHCD) created the Neighborhood BusinessWorks (NBW) program, formerly known as Neighborhood Business Development Program, in 1996. The program provides gap financing to small businesses for projects which spur development, jobs and growth. NBW offers flexible gap financing in the form of below-market interest rate loans to small businesses, and loans and grants to nonprofit organizations locating or expanding in locally designated neighborhood revitalization areas. Designated neighborhoods include mixed-used areas in need of social and/or physical revitalization.

As originally designed, the program provided gap financing loans for eligible projects ranging from \$25,000 to \$500,000, for up to 50 percent of a project's total cost.

...continues on page 2

National Economic Digest

U.S. GDP Growth Unchanged

The final reading for annualized GDP growth in the second quarter of 2005 was 3.3 percent, unchanged from preliminary estimate, released last month. Economic growth in that quarter was boosted by positive upward revisions in consumer spending, and by improvements in the trade balance as imports of services were revised downward while exports were revised upward.

Overall, major contributors to economic growth were the housing market and business investment in equipment and software. Inflation in the second quarter was slightly higher with the revisions; annualized growth in the overall Personal Consumption Expenditures (PCE) Price Index was

revised up to 3.3 percent from the preliminary estimate of 3.2 percent. Growth in the core PCE price index, excluding food and energy, was 1.7 percent, slightly higher than the earlier estimate of 1.6 percent.

The impact from Hurricane Katrina on the national economy is not evident in the final read of the GDP, as this release covers April through June. It is clear that the third quarter, and possibly the fourth quarter growth rates of GDP will be impacted significantly by the loss of production in the Gulf Coast. However, as the national indicators show, the U.S. economy is fundamentally strong and Katrina will not cause the economy to go into a recession. It is expected that the reconstruction spending in the Gulf Coast area will

...continues on page 8

CONTENTS

- 1 NEIGHBORHOOD BUSINESSWORKS PROGRAM SPURS SMALL BUSINESS GROWTH
- 1 NATIONAL ECONOMIC DIGEST
- 3 RESIDENTIAL CONSTRUCTION
- 5 MORTGAGE RATES
- 5 HOME SALES
- 7 HOMEOWNERSHIP AFFORDABILITY INDICES



Maryland Department of Housing
and Community Development

Blueprint Maryland is published
monthly by the Maryland
Department of Housing and
Community Development

www.blueprintmaryland.com



ROBERT L. EHRlich, JR.
Governor

This issue of *Blueprint Maryland* shows that small businesses play a vital role in Maryland's economy. Their entrepreneurial spirit and innovation generate jobs and economic growth in communities across Maryland. To ensure continued growth in our small business community, the Department of Housing and Community Development has dramatically increased funding for its Neighborhood BusinessWorks program, which provides flexible gap financing through below-market interest rate loans to small businesses. It also provides loans and grants to nonprofit organizations locating or expanding in locally designated neighborhood revitalization areas. By strengthening our investments in this popular program, we will eliminate supply constraints and increase small business access to the funds they need to grow. Please visit www.mdhousing.org for more information.

The new Neighborhood Business Works program eliminates the availability of funds constraints, by raising additional capital through securitization or bond sales.



Main Street, Cumberland, photograph by Sam Kittner

The effective mortgage rate of the Community Development Administration (CDA) remains at 5.34 percent. The CDA's effective rate is now 35 basis points below the average effective commercial mortgage rates in Maryland, and 48 basis points below Freddie Mac's national average rate.

EXHIBIT 1: NEIGHBORHOOD BUSINESSWORKS PROGRAM

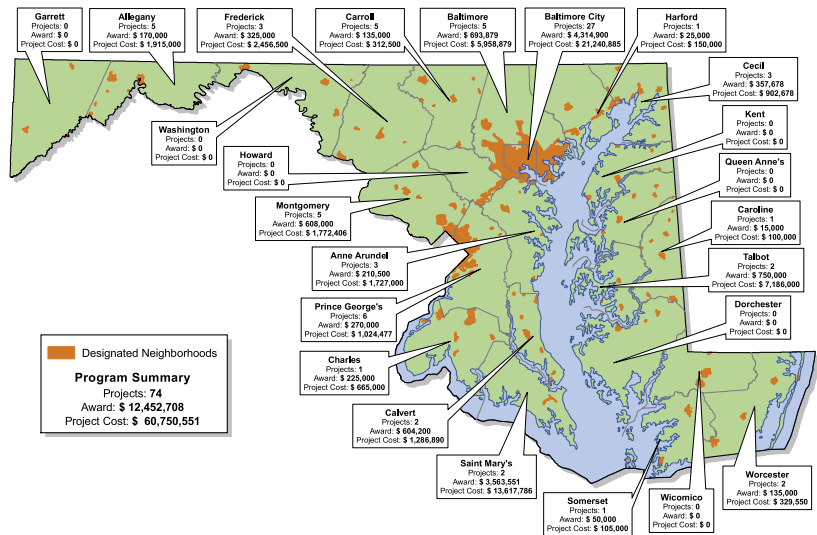
January 2003 to August 2005

JURISDICTION	DHCD FUNDING			Leveraged Funds	Total Investment	Projects Funded
	Grants	Loans	Total			
Allegany	\$ 105,000	\$ 65,000	\$ 170,000	\$ 1,745,000	\$ 1,915,000	5
Anne Arundel	100,000	110,500	210,500	1,516,500	1,727,000	3
Baltimore	275,000	418,879	693,879	5,265,000	5,958,879	5
Baltimore City	452,500	3,862,400	4,314,900	16,925,985	21,240,885	27
Calvert	250,000	354,200	604,200	682,690	1,286,890	2
Caroline	15,000	0	15,000	85,000	100,000	1
Carroll	135,000	0	135,000	177,500	312,500	5
Cecil	57,678	300,000	357,678	545,000	902,678	3
Charles	0	225,000	225,000	440,000	665,000	1
Frederick	25,000	300,000	325,000	2,131,500	2,456,500	3
Harford	25,000	0	25,000	125,000	150,000	1
Montgomery	53,000	555,000	608,000	1,164,406	1,772,406	5
Prince George's	150,000	120,000	270,000	754,477	1,024,477	6
St. Mary's	0	3,563,551	3,563,551	10,054,236	13,617,786	2
Somerset	50,000	0	50,000	55,000	105,000	1
Talbot	0	750,000	750,000	6,436,000	7,186,000	2
Worcester	135,000	0	135,000	194,550	329,550	2
Maryland	\$ 1,828,178	\$ 10,624,530	\$ 12,452,708	\$ 48,297,844	\$ 60,750,551	74

Source: Maryland Department of Housing and Community Development

EXHIBIT 2: NEIGHBORHOOD BUSINESSWORKS PROGRAM

Approved Project by County: January 2003 to August 2005



Source: Maryland Department of Housing and Community Development

...Neighborhood BusinessWorks from cover

Grants typically range from \$25,000 to \$250,000, depending on the nature of the project. Recognizing the significance of small business ownership to advancement, particularly for minorities and women, the Ehrlich-Steel administration expanded funding sources for the program which can now raise additional capital through securitization or bond sales. This major improvement eliminates the program's supply constraints, based on availability of funds, and increases small business access to the funds they need to grow.

To qualify for a NBW Loan, applicants must meet certain criteria. First, eligible applicants must be a Maryland-based small business. A small business, as defined by the U.S. Small Business Administration, is one that is independently owned and operated, and which is not dominant in its field of operation, having fewer than 500 employees. Planning dollars must be used in conjunction with the private funding of the project. Nonprofit organizations whose activities contribute to a broader revitalization effort, and whose projects are intended to promote investment in commercial districts or town centers also can

...continues on page 3

benefit from the program. Investment is limited to viable projects. Eligible projects include retail businesses, including franchises, manufacturing businesses, service related businesses, and mixed-use projects consisting of a commercial or retail use at street level and no more than 12 residential units. NBW eligible funds may be used for market, planning or feasibility studies, real estate acquisition, new construction or rehabilitation, leasehold improvements, machinery and equipment; working capital and certain other costs associated with opening or expanding a small business. NBW financing is not available for refinancing or for speculative developments, residential or transient living facilities, facilities such as community halls, hospitals, colleges or universities, or for adult entertainment establishments. The eligibility criteria for NBW grants differ slightly from the loan

program. Unlike NBW loans, grant assistance is limited to nonprofit groups in locally designated revitalization areas. Grant funding is determined through competitive funding rounds each fiscal year. Eligible projects and eligible uses of grants are the same as those covered by NBW loans.

From January 2003 through August 2005, NBW approved 74 projects, awarding 40 grants and 34 loans (See exhibit 1). These awards, amounting to \$12.5 million, have leveraged an additional \$48.3 million in private funds, resulting in a total of \$60.8 million in direct investment in the Maryland economy. As shown in exhibit 2, NBW's investment in small businesses stimulates development in communities across Maryland. The state's entrepreneurial spirit is strong, and the NBW program helps maintain this spirit and encourage future business development.

Neighborhood BusinessWorks eligible funds may be used for market, planning or feasibility studies, real estate acquisition, new construction or rehabilitation, leasehold improvements, machinery and equipment; working capital and certain other costs associated with opening or expanding a small business.

The U.S. Census Bureau reported that in August, the value of construction put in place was estimated at a seasonally adjusted rate of \$1,108.5 billion, up 0.4 percent from July. The growth was widespread as both private and public construction advanced solidly. Total private construction spending was up 0.4 percent, while total public construction increased by 0.5 percent.

Residential Construction

U.S. Construction Spending Up

The U.S. Census Bureau reported that construction spending in August was estimated at a seasonally adjusted annual rate of \$1,108.5 billion in August, up 0.4 percent from July. The growth was widespread, as both private and public construction advanced solidly. Total private construction spending was up 0.4 percent, while total public construction increased by 0.5 percent. Compared to the same month last year, total construction spending was up 6.1 percent, as private construction spending increased by 5.3 percent, while public spending rose by 9.2 percent. Private residential construction spending increased by 0.2 percent in August, and was up 5.8 percent from the same month last year. Private nonresidential spending rose by 0.8 percent in August and by 3.7 percent from August 2004. Public residential construction increased by 0.3 percent from July, but declined by 7.8 percent from last year. Public non-residential construction spending was up 0.3 percent above July and 9.8 percent above August 2004.

Housing Market Index Declined Sharply

Homebuilders' optimism, measured by the National Association of Home Builders' Housing Market Index (HMI), slipped two points to 65 in September, its lowest level since February 2004. Despite this decline, homebuilders confidence remains strong, as the September index exceeds the threshold value of

50. That threshold represents an equal number of builders reporting strengthening versus weakening conditions. All three components of the index — present sales, future sales, and prospective buyer traffic — were down this month. The present sales component declined by one point to 72, the future sales component dropped eight points to 69, and the component measuring the traffic of prospective buyers fell three points to 47. The buyer traffic index dropped below 50 for the first time since July 2004. The decline in the index mostly reflects rising mortgage rates and higher gas prices and to a lesser extent the effect of Hurricane Katrina.

Building Permits Rose in Maryland

Privately owned building permits in the U.S. increased by 10.0 percent in August to 201,180 units. Multi-family permits were up by 6.5 percent to 41,830 units, and single-family permits increased by 10.9 percent to 159,350 units. Compared to August 2004, residential building permits increased by 14.0 percent, as single-family permits increased by 13.4 percent and multi-family permits increased by 16.0 percent.

In the South region, the August volume of building permits increased by 16.5 percent to 98,100 units. The South region includes Maryland, Delaware, Washington, D.C., Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Tennessee, Kentucky, Louisiana, Arkansas

...continues on page 4



The volume of building permits issued in Maryland increased by 62.9 percent in August to 3,183 units. Single-family permits grew by 62.5 percent to 2,457 units, while multi-family permits rose by 64.3 percent to 726 units.

and Texas. The region's single-family permits rose by 16.7 percent to 78,200 units, while multi-family permits increased by 15.9 percent to 19,900 units. Compared to August 2004, residential building permits issued in the South region increased by 21.9 percent, as single-family permits were up by 20.7 percent, and multi-family permits rose by 26.6 percent.

The volume of building permits issued in Maryland increased by 62.9 percent in August to 3,183 units. Single-family permits grew by 62.5 percent to 2,457 units, while multi-family permits rose by 64.3 percent to 726 units. Compared to August 2004, residential building permits issued for all units rose by 21.8 percent, reflecting an increase of 35.7 percent for single-family units, but a decline of 9.7 percent for multi-family structures.

Housing Starts Up in Maryland

Nationally, residential construction in August declined by 1.1 percent to 181,500 units. Single-family construction rose by 0.8 percent to 155,100 units, while multi-family construction declined by 11.1 percent to 26,400 units. Compared to August 2004, housing starts in the U.S. rose by 0.1 percent, as single-family starts were up 3.1 percent, while multi-family housing starts declined by 14.3 percent. Housing starts decreased in the South region by 7.5 percent to 79,100 units in August, as single-family starts were down by 5.6 percent to 67,700 units, and multi-family construction declined by 17.4 percent to 11,400 units. Compared to August 2004, residential housing starts were down 0.3 percent, reflecting an increase of 1.8 percent in single-family construction, and a decline of 10.9 percent in multi-family housing activity.

Housing starts in Maryland increased by 30.6 percent in August to 2,899 units. Across product types, single-family housing starts increased by 62.5 percent to 2,457 units, while multi-family starts declined by 37.6 percent to 442 units. Compared to August 2004, housing starts were up 37.7 percent in Maryland, as single-family construction increased by 35.7 percent, and multi-family construction rose by 49.8 percent.

Housing Completions Increased in Maryland

Nationally, housing completions in August increased by 11.9 percent to 171,500 units. Across the nation, single-family completions grew by 3.5 percent to 137,000 units, while multi-family completions rose by 65.1 percent to 34,500 units. Compared to August 2004, housing completions decreased by 1.6 percent, as single-family completions were up 1.3 percent, while multi-family completions declined by 11.8 percent.

Housing completions in August increased by 5.7 percent to 78,100 units in the South region. Single-family completions grew by 3.5 percent to 64,800 units, and multi-family completions rose by 65.1 percent to 13,300 units. Compared to August 2004, housing completions in this region were up 1.2 percent, due to an increase of 6.4 percent in single-family

completions, which overshadowed a decline of 18.4 percent in multi-family completions.

In Maryland, the number of housing units completed grew by 48.8 percent to 2,495 units in August. Single-family completions increased by 23.2 percent to 1,692 units, while multi-family completions grew by 164.1 percent to 803 units. Compared to August 2004, housing completions were up 43.5 percent in Maryland, as single-family and multi-family completions increased by 22.2 percent and 126.8 percent, respectively.

Residential Construction in Maryland Counties

Across Maryland, the value of housing permits in August increased by 46 percent to \$383.3 million. Maryland jurisdictions that reported gains in the number and value of building permits issued for this month included Calvert, Carroll, Cecil, Charles,

Frederick, Montgomery, Prince George's, Queen Anne's, Washington, Wicomico, and Worcester counties, as well as Baltimore City. Statewide, the value of housing starts increased by 15.0 percent to \$359.6 million in August. Overall, twelve Maryland jurisdictions reported gains in the number and value of housing starts, including Calvert, Carroll, Cecil, Charles, Frederick, Howard, Prince George's, Queen Anne's, Washington, and Wicomico counties and Baltimore City. The value of housing units completed in Maryland increased by 27.0 percent to \$310.8 million in August. Maryland jurisdictions that reported gains in the number and value of housing completions included Anne Arundel, Baltimore, Carroll, Cecil, Charles, Garrett, Harford, Montgomery, Washington, and Worcester counties, and Baltimore City. ■

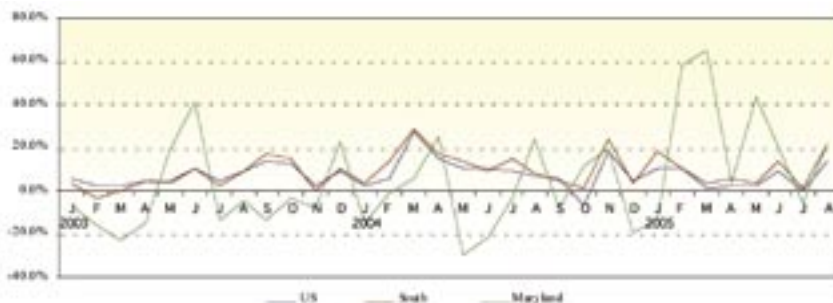
RESIDENTIAL CONSTRUCTION – AUGUST 2005

COUNTY	PERMITS		STARTS		COMPLETIONS	
	Units	\$ Value ('000s)	Units	\$ Value ('000s)	Units	\$ Value ('000s)
Allegany	1	192	1	192	1	173
Anne Arundel	146	21,592	146	21,591	494	44,065
Baltimore	144	18,619	226	24,899	84	11,233
Baltimore City	73	8,237	70	7,842	84	5,695
Calvert	44	8,249	44	8,249	32	5,326
Caroline	0	0	0	0	0	0
Carroll	157	23,752	157	23,731	160	16,346
Cecil	80	10,806	79	10,748	86	12,935
Charles	345	36,809	93	19,701	85	16,547
Dorchester	n/a	n/a	n/a	n/a	n/a	n/a
Frederick	283	22,516	272	19,353	69	9,416
Garrett	32	8,034	32	8,034	12	3,034
Harford	152	22,893	154	23,337	124	18,155
Howard	126	18,424	169	21,717	97	13,258
Kent	0	0	0	0	0	0
Montgomery	202	24,282	93	13,956	419	64,525
Prince George's	205	28,242	226	30,138	162	25,006
Queen Anne's	36	6,158	36	6,158	15	3,017
Somerset	n/a	n/a	n/a	n/a	n/a	n/a
St. Mary's	n/a	n/a	n/a	n/a	n/a	n/a
Talbot	577	48,624	559	46,823	220	22,974
Washington	303	40,057	289	38,785	103	12,027
Wicomico	91	9,027	70	7,691	64	6,866
Worcester	96	13,395	88	12,857	112	12,555
Maryland	3,183	\$ 383,273	2,899	\$ 359,595	2,488	\$ 310,815

* Permit data for Dorchester, Somerset and St. Mary's counties were not available at the time of this publication. Aggregate data for these counties are based on the projections made by the Census Bureau.

RESIDENTIAL BUILDING PERMITS – ALL UNITS

Percent Change from Same Month Previous Year

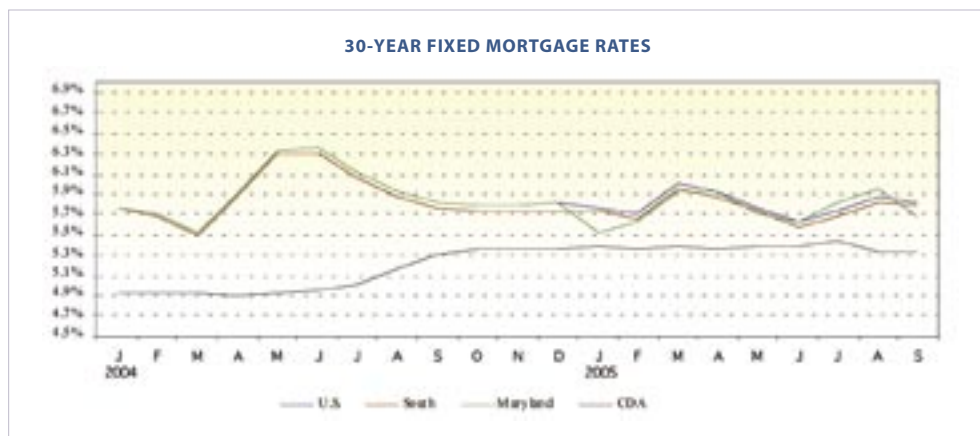


Mortgage Rates

From August to September, Freddie Mac's 30-year effective fixed mortgage rates — rates that account for variations in points — decreased from 5.87 percent to 5.82 percent in the U.S., and from 5.83 percent to 5.79 percent in the South region.

The 30-year fixed effective mortgage rate in Maryland dropped from 5.96 percent in August to 5.69 percent in September. The Maryland commercial fixed mortgage rate is 13 basis points below the national rate.

The effective mortgage rate of the Community Development Administration (CDA), an agency of the Maryland Department of Housing and Community Development, remains at 5.34 percent. The CDA's Maryland Mortgage Program (www.morehouse4less.com) provides low-interest mortgage loans to eligible homebuyers through



private lending institutions throughout the State. The CDA's effective rate is now 35 basis points below the average effective commercial mortgage rates in Maryland, and 48 basis points below Freddie Mac's national average rate. ■

MOREHOUSE4LESS.COM

Visit the website to learn more about Maryland's mortgage program for the smart homebuyer

Home Sales

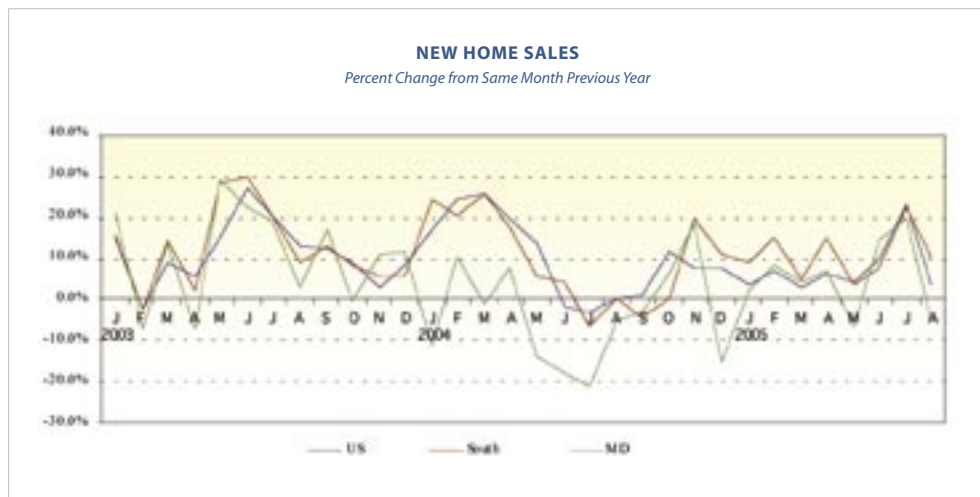
New Home Sales Drop in the U.S.

According to the Census Bureau, new home sales in the U.S. fell 10.2 percent in August to 106,000 units, but increased by 3.9 percent from the previous year. The national median home sales price rose in August for the first time in four months to \$220,300, representing an increase of 2.5 percent from last month. The inventory of new homes for sale was up 4.3 percent in August, representing a 4.5 months' supply or 480,000 available units. The inventory was the highest in the past six months. Nationally, the months' supply of available homes rose 16.2 percent from July's estimate of 3.7, and was up 14.3 percent compared to August 2004. Sales declined in the South region by 3.7 percent to 52,000 units in August, up 10.6 percent from the previous year. The August inventory of new homes in the South region was 239,000 units, representing 4.6 months' supply. The region's inventory remained unchanged from July, but grew by 15.5 percent from August 2004. Following the national trend, new home sales in Maryland declined 12.2 percent to 1,461 units in August. Compared to August 2004, new home sales in Maryland dropped 5.1 percent.

Exiting Home Sales Remain Strong in Maryland

Nationally, existing home sales rose sharply in August to 746,000 units, representing increases of 8.1 percent over last month, and 10.4 percent over August 2004. Total housing inventory rose 3.5 percent to 2,856,000 units in August, representing a 3.8 months' supply. The August supply of existing

...continues on page 6



homes was down 4.3 percent from last month, but up 2.2 percent from last year. The median price of existing homes in the U.S. rose 1.9 percent in August to \$220,000, up 15.8 percent from August 2004. In the South region, existing home sales increased by 11.0 percent from July to 282,000 units, up 9.3 percent from August 2004. Hurricane Katrina had no measurable impact on the August sales figures since it hit the Gulf area in late August. The August median price of existing homes in the South region rose 1.1 percent to \$189,000, up 9.9 percent from August 2004. In Maryland, existing home sales increased by 5.7 percent to 10,284 units in August, up 0.8 percent from August 2004. The August inventory of existing Maryland homes for sale increased by 7.6 percent to 18,500 units, representing a very tight 1.8 months' supply. Historically, a supply of six months is reflective of a balanced real estate market. The supply of existing homes in August was 1.8 percent above last month, and 14.1 percent above August 2004. The August median house price decreased 2.0 percent to \$302,829, but increased by 20.6 percent from the previous year.

Mortgage Applications Index Improved in September

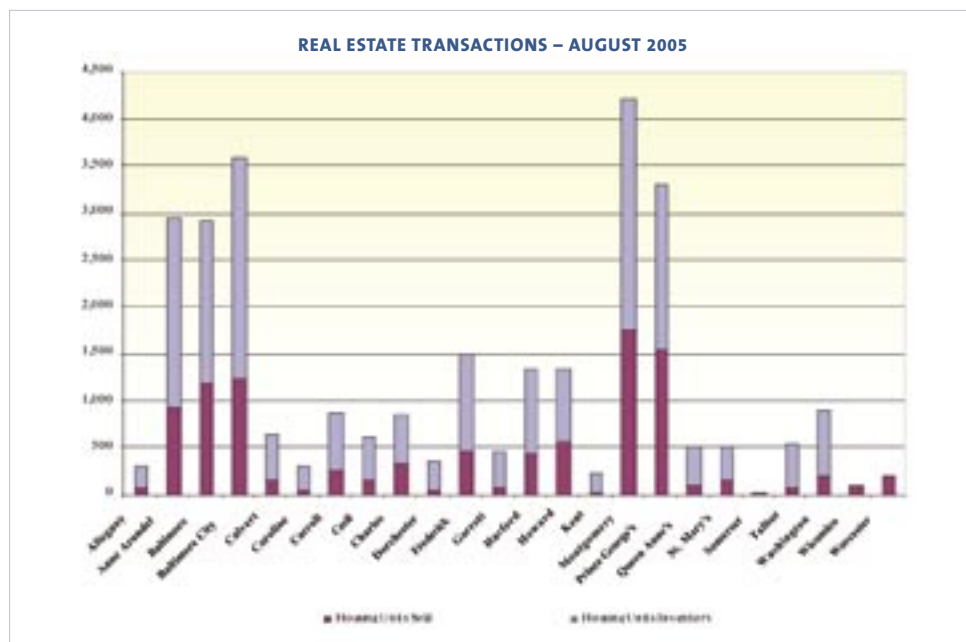
Mortgage demand increased in September due to a decline in mortgage rates, with the Mortgage Applications Index of the Mortgage Bankers Association increasing by 0.2 percent to 747.8. The purchase component of the Index rose by 1.0 percent to 493.9, more than offsetting the softening in the refinance component, which declined by 0.7 percent to 2,224.7. The contract rate on a 30-year fixed-rate mortgage decreased by 5 basis points to 5.77 percent, while the contract rate on a one-year adjustable-rate mortgage declined 4 basis points to 4.51 percent. Compared to September 2004, the fixed-rate mortgage rate is up 2 basis points, while the one-year adjustable rate was up 52 basis points. The September spread between fixed and adjustable contract mortgage rates narrowed to 126 basis points, compared to 127 basis points in August, and 176 basis points in September 2004. While long-term mortgage rates are still favorable, the continuous rise in short-term interest rates is adversely affecting homeownership in more expansive markets where borrowers are mostly dependent on the adjustable rates to finance their purchases.

Pending Home Sales Index Rose

The Pending Home Sales Index, developed by the National Association of Realtors, is a leading indicator for the housing market and is based on pending sales of existing homes, including single-family homes and condominiums. A sale is pending when the contract has been signed, but the transaction has not closed. Pending home sales typically close within one or two months of signing. The Pending Home Sales Index rose in August, by 3.2 percent to a record high of

COUNTY	DAYS ON MARKET			HOUSING UNITS SOLD			HOUSING UNITS INVENTORY		
	Current Month	Change From Last Year	Change From Last Month	Current Month	Change From Last Year	Change From Last Month	Month's Supply	Change From Last Year	Change From Last Month
Allegany	85	-30.3%	-9.6%	78	9.9%	11.4%	3.1	-19.5%	-7.9%
Anne Arundel	31	-8.8%	-13.9%	931	-4.4%	1.0%	2.2	24.2%	8.0%
Baltimore	29	-3.3%	-3.3%	1,197	0.8%	5.3%	1.5	4.9%	1.4%
Baltimore City	44	-29.0%	7.3%	1,244	17.2%	10.3%	1.9	-2.4%	4.2%
Calvert	58	18.4%	20.8%	168	-6.7%	-4.5%	2.9	37.1%	11.9%
Caroline	85	-22.7%	-40.6%	57	16.3%	18.8%	4.7	28.2%	-14.5%
Carroll	39	11.4%	-25.0%	264	1.9%	10.0%	2.3	15.3%	-0.6%
Cecil	61	8.9%	13.0%	161	8.1%	12.6%	2.9	2.6%	-14.0%
Charles	25	-3.8%	-3.8%	340	8.3%	10.7%	1.6	30.6%	-7.6%
Dorchester	107	30.5%	10.3%	50	-13.8%	8.7%	6.5	36.2%	-2.3%
Frederick	27	35.0%	3.8%	477	-6.5%	6.2%	2.1	52.1%	1.7%
Garrett	134	39.6%	-15.7%	72	14.3%	41.2%	5.4	-20.3%	-28.6%
Harford	40	33.3%	11.1%	436	1.6%	2.6%	2.1	17.3%	4.1%
Howard	27	-3.6%	35.0%	567	2.7%	11.2%	1.4	5.5%	-6.8%
Kent	170	12.6%	15.6%	39	5.4%	62.5%	5.2	7.5%	-33.6%
Montgomery	22	-12.0%	15.8%	1,767	-6.9%	-2.0%	1.4	13.3%	2.9%
Prince George's	23	-25.8%	9.5%	1,547	2.9%	10.2%	1.1	6.6%	6.9%
Queen Anne's	91	8.3%	28.2%	100	2.0%	1.0%	4.3	13.1%	1.9%
St. Mary's	43	-12.2%	22.9%	153	2.7%	-7.8%	2.3	24.4%	15.6%
Somerset	n/a	n/a	n/a	28	-6.7%	55.6%	n/a	n/a	n/a
Talbot	105	2.9%	-25.0%	85	-6.6%	37.1%	5.4	19.2%	-23.9%
Washington	50	19.0%	19.0%	213	17.0%	4.4%	3.2	26.6%	11.6%
Wicomico	n/a	n/a	n/a	98	-21.6%	-3.9%	n/a	n/a	n/a
Worcester	n/a	n/a	n/a	212	-10.5%	8.2%	n/a	n/a	n/a
Maryland	34	-6.0%	5.1%	10,284	0.8%	5.7%	1.8	14.1%	1.8%

Source: Metropolitan Regional Information Systems, Inc. and Maryland Department of Housing and Community Development



Source: Maryland Association of Realtors

129.5. Compared to August 2004, the Index was up 4.7 percent. The previous record was 128.1 in October 2004.

August Housing Inventory Grows in Maryland

Existing home sales in August continued to grow across Maryland. Montgomery County, recorded the highest home sales volume of 1,767 units in August. Other jurisdictions with August sales of over 1,000

units include Prince George's County, Baltimore City, and Baltimore County. Favorable market conditions, including strong employment, household income and low mortgage rates, continue to sustain strong home sales across Maryland, while, at the same time, tightening the housing inventory. The August housing supply was below 2 months in Prince George's, Howard, Montgomery, Baltimore and Charles counties,

...continues on page 7

Homeownership Affordability Indices

The August Affordability Index for repeat homebuyers in Maryland was 92, signifying the ability of a typical repeat buyer to afford a house that is priced 8 percent below the median priced home.

The Index for first-time buyers stood at 60, indicating that the typical first-time buyer could only afford a home priced 40 percent below the median priced home available to first-time buyers. Homebuyers' ability to buy a median priced home in Maryland rose in August as the statewide Index climbed 0.9 percent from July, but dropped by 16.1 percent compared to August 2004. The rise in the affordability indices resulted from a decrease of house prices and an estimated 0.2 percent rise in median income that, together, overcame a rise in interest rates. The August median sales price of existing homes available to repeat buyers and first-

Homebuyers' ability to buy a median priced home in Maryland rose in August as the statewide Index climbed 0.9 percent from July, but dropped by 16.1 percent compared to August 2004.

time buyers in Maryland decreased by 2.0 percent to \$302,829 and \$257,405, respectively. Effective 30-year mortgage rates rose from 5.75 percent in July to 5.87 percent in August.

Across the state, Montgomery County had the highest median housing price of \$439,000 for repeat buyers and \$373,150 for first-time buyers, up 18.7 percent from a year ago but down 4.6 percent from the previous month. However, Talbot County was the least affordable jurisdiction in Maryland with homeownership affordability indices of 70 for repeat buyers and 45 for first-time buyers. The median housing prices in Talbot County in August were \$325,000 for repeat buyers and \$276,250 for first-time buyers. Allegany County, on the other hand, with the housing affordability indices of 184 for repeat homebuyers and 119 for first-timers was the most affordable jurisdiction in Maryland. The median housing prices for Allegany County in August were \$90,000 for repeat buyers and \$76,500 for first-time buyers.

Overall, home prices increased in 13 jurisdictions, fell in 9, and were unchanged in 2 jurisdictions. The largest increase in median home prices was 23.5 percent in Wicomico County, while the greatest drop was 34.7 percent in Garrett County. ■

In Maryland, existing home sales increased by 5.7 percent to 10,284 units in August, up 0.8 percent from August 2004. The August inventory of existing Maryland homes for sale increased by 7.6 percent to 18,500 units, representing a very tight 1.8 months' supply.



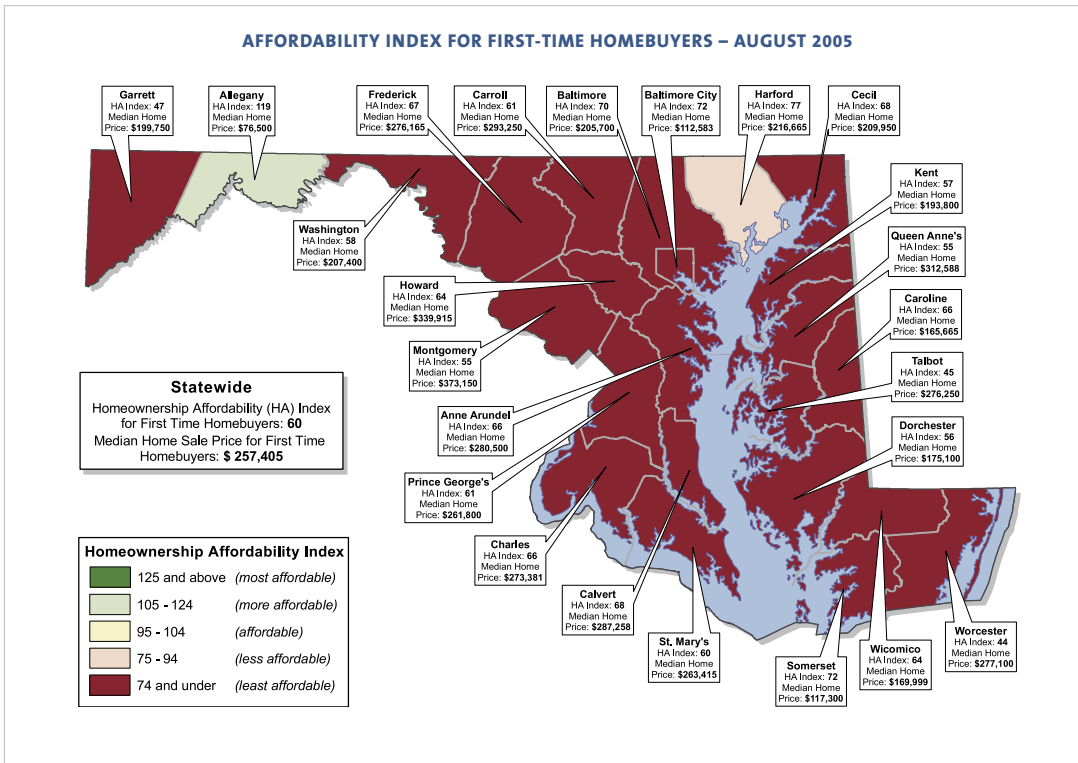
HOME SALE PRICES AND AFFORDABILITY INDICES – AUGUST 2005

COUNTY	MEDIAN HOME SALE PRICES				HOUSING AFFORDABILITY INDICES			
	Current Month		% Change From		Current Month		% Change From	
	Repeat Buyers	First Time Buyers	Last Year	Last Month	Repeat Buyers	First Time Buyers	Last Year	Last Month
Allegany	\$ 90,000	\$ 76,500	34.3%	0.1%	184	119	-20.9%	-1.2%
Anne Arundel	330,000	280,500	18.8%	1.5%	102	66	-18.8%	-2.6%
Baltimore	242,000	205,700	27.4%	0.9%	109	70	-18.6%	-2.0%
Baltimore City	132,450	112,583	31.1%	-3.3%	112	72	-16.8%	2.2%
Calvert	337,950	287,258	23.8%	-1.7%	106	68	-23.6%	0.6%
Caroline	194,900	165,665	18.1%	-16.9%	103	66	-10.2%	19.0%
Carroll	345,000	293,250	30.2%	-1.4%	95	61	-23.7%	0.4%
Cecil	247,000	209,950	41.2%	0.8%	106	68	-33.2%	-1.9%
Charles	321,625	273,381	22.5%	2.1%	102	66	-18.0%	-3.2%
Dorchester	206,000	175,100	13.8%	7.4%	86	56	-11.1%	-8.0%
Frederick	324,900	276,165	20.4%	3.1%	105	67	-14.0%	-4.1%
Garrett	235,000	199,750	35.8%	-34.7%	72	47	-17.2%	51.4%
Harford	254,900	216,665	21.4%	2.0%	120	77	-18.2%	-3.0%
Howard	399,900	339,915	19.4%	0.0%	99	64	-19.9%	-1.1%
Kent	228,000	193,800	-4.3%	-13.1%	88	57	15.6%	13.8%
Montgomery	439,000	373,150	18.7%	-4.6%	86	55	-15.7%	3.6%
Prince George's	308,000	261,800	31.1%	1.0%	95	61	-22.3%	-2.1%
Queen Anne's	367,750	312,588	18.8%	5.1%	85	55	-14.6%	-5.9%
St. Mary's	309,900	263,415	29.2%	0.0%	93	60	-17.7%	-1.1%
Somerset	138,000	117,300	0.0%	17.9%	112	72	0.6%	-16.2%
Talbot	325,000	276,250	10.0%	-15.0%	70	45	-1.8%	16.3%
Washington	244,000	207,400	36.4%	1.7%	90	58	-18.6%	-2.7%
Wicomico	199,999	169,999	26.6%	23.5%	99	64	-18.2%	-19.9%
Worcester	326,000	277,100	6.9%	-4.1%	68	44	-0.2%	3.1%
Maryland	\$ 302,829	\$ 257,405	20.6%	-2.0%	92	60	-16.1%	0.9%

...Home Sales from page 6

as well as in Baltimore City. Housing inventory was close to the balanced threshold of 6.0 months in Dorchester, Garrett, Kent, and Talbot counties. In August, existing Maryland homes remained on the market, on average, 32 days from the day the listing became active, a decline of 3.2 percent from last month, and down 7.4 percent compared to August 2004. Existing homes for sale had remained on the market for 170 days in Kent County, the longest in Maryland, but for only 22 days in Montgomery County, the shortest. Existing homes remained on the market less than a month in Prince George's, Charles, Frederick, Howard, Baltimore, and Anne Arundel counties. Days on the market were above 100 in Talbot, Dorchester, and Garrett counties. ■

Source: Maryland Department of Housing and Community Development



...National Economic Digest from front cover

boost the economic growth in the first half of 2006.

National Activity Index Remains above Trend

The Chicago Fed National Activity Index (CFNAI) was +0.10 in August, down from +0.28 in July, but still indicating above trend economic growth. The decline was due to a smaller contribution from the employment-related component (+0.02), compared with +0.12 in July. The nonfarm payroll gain was only 169,000 in August, well below the 242,000 recorded in July. The contribution of consumption and housing component declined in August to +0.09, from July's value of +0.15. The decline in residential permitting activity was responsible for much of the weakness in the consumption and housing component. The sales, orders, and inventories category made a very weak contribution of +0.01 for the month. The production-related component was the only major component of the index that contributed negatively, -0.01, to the CFNAI in August. Overall, the August reading of CFNAI shows that the national economy is growing at an above-potential rate. However, it is clear that Hurricane Katrina will impact the health of the U.S. economy adversely, and will result in a measurable decline in the September reading of CFNAI. The weakness in the national economy following the storm is already transparent due to a significant rise in the weekly jobless claims, weakening industrial production, and a sharp drop in consumer confidence.

Consumer Confidence Drops Sharply

The Conference Board's Consumer Confidence Index posted its biggest single-month decline in nearly 15 years in September, as the impacts of Hurricane Katrina and soaring energy prices sapped consumer confidence. Consumer

The Conference Board's Consumer Confidence Index posted its biggest single-month decline in nearly 15 years in September, as the impacts of Hurricane Katrina and soaring energy prices sapped consumer confidence. Consumer confidence plummeted nearly 19 points in September to 86.6, the lowest level since October 2003.

confidence plummeted nearly 19 points in September to 86.6, the lowest level since October 2003. The weakness was broad-based. The expectations component of the index dropped by 21.6 points to 71.7, as consumers became particularly concerned about the outlook for business conditions and jobs. The present conditions component dropped by 14.9 points to 108.9. Shares of consumers planning to buy cars and appliances dropped sharply, while the share of consumers planning to buy homes held steady.

The University of Michigan Consumer Sentiment Index for September dropped by 12.2 points to 76.9, the largest decrease since December 1980. Both components, expectation and present condition, were down. The expectations component fell by 13.6 points to 63.3, while the present conditions component dropped by 10.1 points to 98.1.

Overall, the surge in gasoline prices during September, due mainly to short-lived gasoline shortages and the reduction in refining capacity as the result of Hurricanes Katrina and Rita, were responsible for the sharp drop in consumer confidence in September. The September decline in both of these indexes was larger than the declines reported following the September 11 attacks. ■



Maryland Department of Housing and Community Development

MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

100 Community Place
Crownsville, MD 21032
1-800-756-0119
www.mdhousing.org

Robert L. Ehrlich, Jr.
Governor
Michael S. Steele
Lt. Governor
Victor L. Hoskins
Secretary
Shawn S. Karimian
Deputy Secretary

Office of Research

Massoud Ahmadi, *Director*
Fereidoon Shahrokh, *Deputy Director*
Eric Van De Verg, *Senior Economist*
John Greiner, *Senior Housing Policy Officer*
Luisa Fernandez, *Research Economist*

Office of Geographic Analysis and Mapping

Jason Mielke, *Director*

Office of Legislative Affairs

Jennifer Franks, *Legislative Liaison*

Blueprint Maryland is published monthly by the Maryland Department of Housing and Community Development.

www.blueprintmaryland.com